

June 29, 2006

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02110

Re: Blackstone Gas Company, D.T.E. 06-49

Dear Ms. Cottrell:

On May 23, 2006, Blackstone Gas Company ("Blackstone" or "Company") submitted its second annual rate adjustment filing ("Filing"), pursuant to the performance-based ratemaking plan the Department of Telecommunications and Energy ("Department") approved in *Blackstone Gas Company*, D.T.E. 04-79 (2004). Blackstone proposes an increase in normalized revenues of \$25,280, which amounts to a base revenue increase of 3.1 percent. On June 8, 2006, the Department issued a Notice of Filing and Request for Comments.

The Attorney General submits this letter as his Comments and requests that the Department conduct an evidentiary hearings into this Filing for the reasons set forth below:

- The Company failed to provide the supporting documentation for any of its revenue figures shown on page 1 of the Attachment "Blackstone Gas Company, 2006 PBR and Earnings Sharing Compliance Filing," *i.e.* the Settlement Base Revenues, the 2005 Base Revenue Adjustment, and the Settlement Normalized Sales.
- The Company overstated its price cap increase when it used an incorrect gross domestic product price index values in the price cap formula. The table below compares the Company Filing with the GDP values it should have used.

CORRECTION TO THE PERCENTAGE CHANGE IN THE GROSS DOMESTIC PRODUCT PRICE INDEX CALCULATION

	<u>According to the Company¹</u>	<u>Survey of Current Business²</u>
2004		
Quarter 1	107.31	107.951
Quarter 2	108.17	108.976
Quarter 3	108.55	109.371
Quarter 4	109.16	110.111
AVERAGE	108.30	109.102
2005		
Quarter 1	110.95	110.950
Quarter 2	111.66	111.655
Quarter 3	112.57	112.567
Quarter 4	113.53	113.532
AVERAGE	112.18	112.176
	<u>PERCENT INCREASE</u>	<u>PERCENT INCREASE</u>
	3.60 %	2.82 %

For these reasons, the Department should open an evidentiary hearing to examine the Company's Filing.

¹ Filing, Attachment, page 2.

² See Attachment A, *Survey of Current Business*, June 2006, page D-51 from the U.S. Department of Commerce Bureau of Economic Analysis' website available at: <http://www.bea.gov/bea/ARTICLES/2006/06June/D-Pages/0606DpgC.pdf>

Respectfully submitted,

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ATTORNEY GENERAL

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Dated: June 29, 2006

cc: Service List